

DEFICIT REDUCTION ACT

HOUSE-SENATE CONFERENCE AGREEMENT

Medicaid Prescription Drug Reform

The final Conference Agreement makes the following changes:

- Makes existing federal reimbursement rates for drugs more accurate;
- For generic drugs, the Federal government will now not pay more than 250% of the lowest Average Manufacturer's Price for a generic version of a drug;
- Makes AMP prices publicly available. This will increase transparency and help pharmacists and wholesalers get lower prices through greater competition;
- Excludes prompt pay discounts paid to wholesalers from the new pharmacy reimbursement rates.

Average Manufacturer Price

- AMP is the average price at which manufacturers sell their drugs to wholesalers;
- Starting in 2007, the Federal government will not pay more than 250% of the AMP of the lowest cost version of a generic drug;
- Under current law, the federal upper limit is 150% of the lowest published price.
- The new payment rates are based on the existing rules governing generic drugs.

Transparency & Competition

- AMP data will also be made available to states and the public. This will create more transparency and competition in drug pricing. CBO has estimated that transparency will help reduce drug costs by hundreds of millions of dollars.
- Competition and transparency will bring prices down for consumers and protect the taxpayer from needless waste.

Retail Sales Prices

- The final bill also requires the Secretary to work with private companies that routinely monitor and track drug payment rates for private health plans.
- The Secretary will then be required to share this information (known as Retail Sales Prices) with states.
- This will provide state officials with better information about actual market based prices, such as the rates paid by the Federal Employee Health Benefit plans pay for prescription drugs.
- All of this information will provide greater accountability and ensure that Medicaid is paying pharmacists fairly for all drugs.